

**Introduced by Senators Kehoe and DeSaulnier**

(Principal coauthor: Assembly Member Alejo)

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February 7, 2011

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An act to amend Section 12464 of the Government Code, relating to the Controller.

## LEGISLATIVE COUNSEL'S DIGEST

SB 186, as introduced, Kehoe. The Controller.

Existing law authorizes the Controller to appoint a qualified accountant to make an investigation and to obtain the information required for the annual report of financial transactions.

This bill would authorize the Controller to exercise discretionary authority to perform an audit or investigation of any county, city, special district, or redevelopment agency, if necessary, to ensure compliance with state law, grant agreements, local ordinances, and to determine fiscal viability. This bill would require the Controller to prepare a report of the results of the audit or investigation and to file a copy with the local legislative body. This bill would also provide that specified costs incurred by the Controller shall be borne by the county, city, or redevelopment agency and state that reimbursements collected, upon appropriation to the Controller, be available to offset costs of enforcing this provision.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 12464 of the Government Code is amended to read:

12464. (a) If the county, city, or district reports are not made in the time, form, and manner required or there is reason to believe that a report is false, incomplete, or incorrect, the Controller shall appoint a qualified accountant to make an investigation and to obtain the information required. The accountant appointed shall report to the Controller the results of investigation, and a copy shall be filed with the legislative body of the county, city, or district, the accounts of which were investigated. If a similar investigation has to be made of the accounts of any county, city, or district, for two successive years, a certified copy of the results of the investigation last made shall be transmitted to the grand jury of the county that was investigated or in which the city or district investigated is situated, or, if the district is situated in more than one county, in the county in which any portion of the district is situated.

(b) *The Controller may, at his or her discretion, perform an audit or investigation of any county, city, special district, or redevelopment agency, if deemed necessary, to ensure compliance with state law, grant agreements, local ordinances, and to determine fiscal viability. The Controller shall prepare a report of the results of the audit or investigation, and a copy shall be filed with the legislative body of the county, city, special district, or redevelopment agency, the accounts of which were audited or investigated. The audit or investigation will be designed to provide reasonable assurance on compliance with laws and regulations that are significant to the audit or investigation objectives. Any indication, illegal acts, or fraud will be communicated to appropriate authorities, including the county grand jury.*

~~(b)~~

(c) Any costs incurred by the Controller pursuant to ~~subdivision~~ subdivisions (a) and (b), including contracts with, or employment of, certified public accountants or public accountants, in compiling a financial report pursuant to Section 12463 or 12463.3 shall be borne by the county, city, district, or redevelopment agency, and shall be a charge against any unencumbered funds of the county, city, district, or redevelopment agency. Any forfeiture imposed

1 by Section 53895 or 53895.5 may be offset up to the total costs  
2 incurred by the Controller. Any remaining balance shall be forfeited  
3 in accordance with Sections 53895 and 53895.5. Any costs incurred  
4 by the Controller in excess of the forfeiture imposed shall be a  
5 charge against any unencumbered funds of the county, city, district,  
6 or redevelopment agency. *All reimbursements collected in regard*  
7 *to this section shall upon appropriation to the Controller, be*  
8 *available to offset costs of enforcing this section.*

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